



United States Department of Agriculture
Marketing and Regulatory Programs
Agricultural Marketing Service
Livestock and Seed Program

MGC Instruction 434
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Meat Grading & Certification Branch
REPAYMENT OF STUDENT LOANS

Purpose

This Instruction establishes the Meat Grading and Certification (MGC) Branch student loan repayment program.

Policy

It is MGC Branch policy to help eligible Agricultural Commodity Graders (Meat) repay Federally insured student loans as a recruitment or retention incentive. The program implements 5 United States Code (U.S.C.) 5379, which authorizes agencies to set up their own student loan repayment programs to attract or retain highly qualified employees.

Employee Eligibility

GS-5, GS-7, and GS-9 meat graders who meet the definition of an employee (as defined in 5 U.S.C. 2105), are part of the bargaining unit, and meet the other requirements of this Instruction, are eligible for loan repayments. To be eligible, meat graders must:

- Perform at the satisfactory level or above and maintain at least a satisfactory performance level;
- Comply with employee responsibilities and conduct rules; and
- Have accrued the debt in obtaining at least a Bachelors degree in agriculture or closely related field of study.

The following are not eligible:

- Employees who are likely to leave a meat grading position for any position in any branch of the Federal Government.
- Employees who have defaulted on their student loan(s).
- Educational expenses reimbursed under the Student Career Experience Program.

Authorities

- a. Departmental Regulation (DR) 4050 - 537, Repayment of Student Loans, dated April 2, 2002.
- b. b. National Finance Center Bulletin, Title I, Payroll Personnel Manual, 01 - 15, dated September 21, 2001.
- c. Federal Register (FR), Vol. 66, No. 147, pages 39405 to 39406, dated July 31, 2001.
- d. FR, Vol. 66, No. 52, pages 15202 to 15203, dated March 16, 2001.
- e. FR, Vol. 66, No. 8, pages 2789 to 2793, dated January 11, 2001.
- f. FR, Vol. 65, No. 120, pages 38791 to 38794, dated June 22, 2000.
- g. 5 U.S.C. 5379 (Public Law (PL) 101 - 510), National Defense Authorization Act for Fiscal Year 1991, dated November 9, 1990.
- h. 20 U.S.C. 1071 to 1099 (PL 89 - 329, Higher Education Act of 1965, November 8, 1965 and amended by PL 105 - 224, October 7, 1998, codified as 20 U.S.C. 1087aa to 1087gg).
- i. 5 Code of Federal Regulations (CFR) Part 537.

Loans Eligible for Payment

Loans eligible for payment are those made, insured, or guaranteed under parts B, D, or E of title IV of the Higher Education Act of 1965. In accordance with 5 U.S.C 5379(b)(1) only loans taken out prior to the employee signing the student loan repayment agreement are eligible for repayment.

The following student loans are eligible:

Federal Family Education Loans (FFEL)

- Subsidized Federal Stafford Loans
- Unsubsidized Federal Stafford Loans
- Federal PLUS Loans
- Federal Consolidation Loans

William D. Ford Direct Loan Program (Direct Loans)

- Direct Subsidized Stafford Loans
- Direct Unsubsidized Stafford Loans
- Direct PLUS Loans
- Direct Subsidized Consolidation Loans
- Direct Unsubsidized Consolidation Loans

Federal Perkins Loan Program

- National Defense Student Loans (made before July 1, 1972)
- National Direct Student Loans (made between July 1, 1972, and July 1, 1987)
- Perkins Loans (made after July 1, 1987)

Only loans for which the employee is personally responsible are eligible for repayment by the MGC Branch. Loans held by the employee's parents are not eligible.

Limitations

The MGC Branch may agree to provide student loan repayment benefits up to \$5,000 per calendar year, subject to a cumulative total of not more than \$15,000 per employee. The MGC Branch will not make loan repayments for student loans that were previously paid by the employee (5 U.S.C 5379(b)(3)).

Repayment Procedures

The National Finance Center (NFC) will make student loan payments directly to the loan holder. Loan payment will not be paid to the employee.

Responsibilities

Eligible employees will provide the following to the Personnel Director:

1. Final transcript indicating an agricultural degree or closely related degree.
2. Outstanding student loan information accrued in obtaining the degree.
3. A signed [Release to Obtain Student Loan Information, MRP-250-R](#) (Exhibit A).

Note: Employees are responsible for late payments or related expenses that accrue for any reason. In addition, although a student loan payment is paid directly to the loan holder on behalf of the employee, the payment is nonetheless includible in the employee's gross income and wages for Federal employment tax purposes. Consequently, the MGC Branch must withhold and pay employment taxes from the employee's regular wages, the loan payment, or a separate payment made by the employee. The applicable employment taxes include Federal income taxes withheld from wages (and, where appropriate, State and local income taxes) and the employee's share of social security and Medicare taxes. Tax withholdings must be deducted or applied at the time any loan payment is made (5 CFR 537.106(a)) ([Student Loan Repayment Program Tax Liability Questions and Answers](#)) (Exhibit B). Please note the implications of deducting taxes directly from a gross loan payment. For example, if the agency has approved a student loan repayment benefit of \$5,000 and the employee's tax deductions are \$1,500, then the agency will make a loan payment of \$3,500. The full \$5,000 counts toward the maximum limitations described in the Limitations section of this Instruction.

Service Agreement

An employee who receives a student loan repayment must sign an [MGC Branch Service Agreement for Repayment of Student Loan\(s\)](#) form (Exhibit C). By signing this service agreement, the employee agrees to work for the paying agency for the specified time period. The service requirement begins on the date NFC makes the last repayment and ends 3 years later. For example, if NFC makes loan payments on June 01, 2008, 2009 and 2010; the service agreement would end on June 01, 2013.

Approval

The Personnel Director will review the documents submitted by the employee and determine if the employee is eligible for reimbursement. If the employee is eligible, the Personnel Director will complete [Recommendation and Approval for the Repayment of Student Loan\(s\), MRP-252-R](#) (Exhibit D) and submit the completed form to the MGC Branch Chief for approval.

The MGC Branch Chief will review the request and if approved, sign MRP-252-R noting the decision and any additional comments/changes. After the employee signs the MGC Branch Service Agreement for Repayment of Student Loan(s), the MGC Branch Chief will activate payment by sending the Servicing Personnel Office a copy of:

1. MRP-250-R,
2. MRP-252-R,
3. Written justification, and
4. MGC Branch Service Agreement for Repayment of Student Loan(s).

Employee Reimbursements

If an employee voluntarily separates from Federal service and does not complete the terms of the service agreement, he or she is obligated to reimburse the agency for the full amount of the loan repayment benefits provided (gross before any tax deductions from the loan payment). For example, if an employee's agreement states that he or she will receive \$5,000 per year for 3 years, and the employee leaves with 6 months remaining on the service agreement after receiving \$15,000 in loan repayment benefits, the employee must reimburse the paying agency for \$15,000.

Annual Reporting

Before January 1st of each year, the agency must submit a written report to the Office of Personnel Management (OPM) stating when the agency made student loan payments on behalf of an employee during the previous fiscal year (5 CFR 537.110). Under 5 U.S.C. 5379(h)(1), each report must include:

1. The number of employees selected to receive benefits;
2. The job classifications of the employees selected to receive benefits; and
3. The cost to the Federal Government of providing these benefits.

OPM will use this information in its annual report to Congress on the agencies' use of the student loan repayment program.

Records Maintenance

The MGC Branch Office will keep records of loan repayments for a minimum of 3 years after the loan is repaid or after OPM formally evaluates the program, whichever is later. The documents that must be kept include:

1. Copy of MRP-250-R,
2. Copy of MGC Branch Service Agreement for Repayment of Student Loan(s),
3. Copy of MRP 252-R,
4. Copy of written justification,
5. Complete name and address of institution that received the repayment, and
6. Any other relevant data.

Note: The Office of Human Resource Management (OHRM) will request Race, Sex, National Origin, and Disability information from the NFC data base (Appendix C, DR 4050-537, dated April 2, 2002).

Note: Throughout the duration of the service agreement, any changes to its terms must be documented and agreed to, in writing by both the agency and the employee, with a copy provided to the Servicing Personnel Office for any necessary action.

The U.S. Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, age, disability, and where applicable, sex, marital status, familial status, parental status, religion, sexual orientation, genetic information, political beliefs, reprisal, or because all or part of an individual's income is derived from any public assistance program. (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (Braille, large print, audiotape, etc.) should contact USDA's TARGET Center at (202) 720-2600 (voice and TDD). To file a complaint of discrimination, write to USDA, Director, Office of Civil Rights, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410, or call (800) 795-3272 (voice) or (202) 720-6382 (TDD). USDA is an equal opportunity provider and employer.

RELEASE TO OBTAIN STUDENT LOAN INFORMATION

I, _____ (*employee's printed name*), hereby
permit MRP-_____, (*insert Agency name and*
Program) to contact _____
[*name of loan institution(s)*], to obtain financial information concerning my student
loan(s).

Employee's Signature

Date

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U.S. Office of Personnel Management - Ensuring the Federal Government has an effective civilian workforce

Student Loan Repayment Program TAX LIABILITY QUESTIONS AND ANSWERS

The following Questions and Answers were provided by the Internal Revenue Service (IRS). For further guidance/clarification on these issues, agency representatives may contact IRS (Federal, State and Local Governments) at (202) 283-9665.

Employer's Tax, Withholding, and Reporting Obligations

Q1: If an agency repays the student loan incurred by an agency employee, is the repayment includible in the employee's gross income and in wages for Federal employment tax purposes?

A1. Yes. The repayment is includible in the employee's gross income and in wages for Federal employment tax purposes, notwithstanding the agency's repayment of the loan directly to the lender.

Q2: What are the Federal employment tax obligations of an agency that repays a student loan incurred by an agency employee?

A2: The agency must—

1. Pay the employer's share of social security and Medicare taxes on the loan repayment;
2. Withhold and pay Federal income tax withholding (and appropriate State and local income tax withholding) on the loan repayment;
3. Withhold and pay the employee's share of social security and Medicare taxes on the loan repayment; and
4. Report the loan repayment and taxes withheld and paid as required under Federal law and applicable State and local laws.

Q3: How must an agency report the repayment of a student loan incurred by an agency

employee?

A3: The loan repayment must be reported as wages in Box 1 of Form W-2, Wage and Tax Statement, and as Medicare wages in Box 5 of Form W-2. If wages paid to an agency's employee are subject to social security taxes, the repayment is also reported as social security wages in Box 3 of Form W-2. The repayment is includible in social security wages, however, only to the extent that the repayment together with other wages previously paid during the calendar year does not exceed the social security wage base for that year.

Q4: How does a Federal employee report the repayment of a student loan by his or her employer?

A4: The repayment is reported as wages on line 7 of Form 1040 or, alternatively, on line 1 of Form 1040EZ.

Calculation of Employment Taxes

Q5: How does an agency calculate the amount of employment tax withholding due with respect to a loan repayment?

A5: One of two methods may be used—(1) the regular method or (2) the flat rate method. These methods apply because the loan repayments are supplemental wages paid in addition to regular wages. These two methods are described below and, more specifically, in Publication 15, Circular E, Employer's Tax Guide.

Q6: How does an agency calculate the amount of employment tax withholding due on supplemental wages (such as the loan repayment) under the regular method?

A6: To use this method the agency follows these steps:

1. The Federal agency calculates the correct amount of employment tax withholding on all wages paid during the payroll period by treating the supplemental wages and the regular wages as a single wage payment for the payroll period.
2. The Federal agency calculates the correct amount of employment tax withholding on the regular wages paid to the employee during the payroll period.
3. The Federal agency subtracts the amount determined in step 2 from the amount determined in step 1 to calculate the amount of any employment tax withholding due with respect to the supplemental wages.

Q7: How does an agency calculate the amount of employment tax withholding due on supplemental wages under the flat rate method?

A7: The correct amount of income tax withholding is calculated by taking a flat 25 percent of

the supplemental wages. Social security tax and Medicare tax withholding are calculated at the usual rates and are in addition to the 25 percent income tax withholding.

Q8. When may an agency use the flat rate method of withholding on supplemental wages?

A8. The flat rate method of withholding on supplemental wages may be used if income taxes have been withheld from the regular wages of the employee. Consequently, if income taxes have been withheld from an employee's regular wages, an agency may use the flat rate method to determine the correct amount of income tax to be withheld with respect to the loan payment. The resulting employment taxes may be withheld from either the employee's regular wages, the loan repayment, or a separate tax payment made by the employee. (See Questions 10, 12, and 15.)

Withholding of Employment Taxes

Q9: What methods may an agency use to withhold income taxes and the employee's share of social security and Medicare taxes (employment taxes) when the agency repays a student loan incurred by an employee?

A9: An agency may use any of the following methods. Different methods may be used for different groups of employees. The agency may—

- Withhold employment taxes from regular wages paid to the employee as described in Question 10;
- Withhold employment taxes from the loan repayment as described in Question 12; or
- Require a separate tax payment from the employee as described in Question 15.

Withholding from Regular Wages

Q10: How does an agency withhold and pay employment taxes from regular wages paid to an employee?

A10: To use this method, the agency must—

1. Determine the correct amount of employment tax withholding on all wages paid to the employee during the payroll period, including both the loan repayment and regular wages. (The agency may use either the regular method described in Question 6 or the flat rate method described in Question 7 to calculate the correct amount of employment tax withholding on the loan repayment);
2. Deduct the total amount of employment tax withholding from the employee's regular wages; and

3. Deposit the amounts withheld and report them on Form 941, Employer's Quarterly Federal Tax Return, and Form W-2 in accordance with normal depositing and reporting procedures.

Q11: What if the agency does not process its own payroll but, instead, contracts with another agency to process its payroll?

A11: The agency making the loan repayment is responsible for transmitting the necessary information to the payroll agency and for ensuring that the withholding is properly implemented. If the agency processing the payroll is unable or unwilling to implement withholding, the agency repaying the loan must use one of the alternative withholding methods listed in Question 9.

Withholding from Loan Repayment

Q12: How does the agency withhold employment taxes directly from a loan repayment?

A12: To use this method, the agency must—

1. Calculate the correct amount of employment tax withholding on the loan repayment using one of two methods—the regular method described in Question 6 or the flat rate method described in Question 7;
2. Deduct the amount of employment tax withholding from the loan repayment; and
3. Deposit the amounts withheld and report the employment tax withholding and wages on Forms 941 and W-2 in accordance with normal deposit and reporting procedures.

Q13: May an agency that deducts the amount of employment tax withholding from loan repayments repay the \$10,000 annually that is permitted?

A13: No. The deduction for employment tax withholding reduces the maximum loan repayment.

Q14: If an agency deducts the amount of employment tax withholding from the gross loan repayment, is the amount of the employment tax withholding and the net loan repayment includible in the employee's gross income and in wages for Federal employment tax purposes?

A14: Yes. However, the amount of income tax withheld is credited against the employee's income tax liability for the year.

Withholding from Separate Tax Payment

Q15: What are the obligations of an agency that requires employees to pay the agency an amount equal to employment tax withholding before the agency repays a student loan?

A15: An agency is obligated to pay amounts required to be withheld from an employee's wages even if those amounts are not actually withheld. Federal tax law requires agencies, like other employers, to withhold employment taxes from employees' wages. The repayment of student loans, however, may be subject to such terms, limitations, or conditions as the agency and the employee may mutually agree. Consequently, an agency's repayment of the student loan may be made contingent on an employee's payment of employment taxes (including income taxes and the employee's portion of social security and Medicare taxes) to the agency. In this case, to fulfill its tax obligations, the agency must—

1. Determine the correct amount of employment tax withholding on the loan repayment using either the regular method described in Question 6 or the flat rate method described in Question 7;
2. Obtain a check or other payment from the employee for the amount determined above;
3. Make the loan repayment and deposit and report on Form 941 an amount equal to the payment received from the employee in accordance with normal deposit and reporting procedures; and
4. Report the income, social security, and Medicare tax components paid by the employee in the appropriate boxes of Form W-2. These amounts are not included as income or wages in Boxes 1 , 3, and 5 of Form W-2.

Q16: May an agency treat the loan repayment as a noncash fringe benefit and use the withholding rules applicable to noncash fringe benefits?

A16: No. The rules for withholding on noncash fringe benefits do not apply to an employer's repayment of an employee's loan obligation.

MGC BRANCH SERVICE AGREEMENT FOR REPAYMENT OF STUDENT LOAN(S)

In return for the repayment of my student loan(s) as described below, I hereby agree to remain an employee of the U.S. Department of Agriculture (USDA) - MRP- AMS, for 3 years after the date the Agency makes the last payment on my loan, unless I am separated for reasons beyond my control and which are acceptable to the Agency. The amount of the repayment of student loan(s) I will be receiving under this agreement is \$_____ .

I agree that if I do not remain in the Agency and maintain an acceptable level of performance and conduct for the above specified period, I will repay the Agency the total amount of student loan repayment benefits I have received. I understand that if I leave the Agency to work in another Federal Agency, I have violated this agreement and the benefit may not follow me. I understand that this service agreement does not constitute a right, promise, or entitlement for continued employment or noncompetitive conversion to the competitive service. I understand that under such circumstances these monies are recoverable from me as a debt due the United States Government, and the Agency is not responsible for making my loan payments and any late fees I am charged.

Any additional requirements are included in MGC Instruction 434. I have read and understand those requirements. All of my questions have been satisfactorily answered concerning the Program and the additional requirements.

In signing this agreement I am agreeing to adhere to all of the conditions.

Signature

Date

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RECOMMENDATION AND APPROVAL FOR THE REPAYMENT OF STUDENT LOAN(S)

1. Agency Name		2. Agency Code	3. Case No.	4. Personnel Office Identifier (SPO use only)
5. Name of Employee		6. Social Security No.		7. Duty Station Code
8. Position Title		9. Location (<i>City, State</i>)		10. Pay Plan/Series/Grade/Step
11. Salary	12. Organization		13. Effective Date of Loan Repayment	
14. Accounting Code	15. Mail Check to (if applicable)			
16. Education Level	17. Employee Status (<i>Check one</i>) <div style="display: flex; justify-content: space-around;"> <input type="checkbox"/> New Employee <input type="checkbox"/> Current Employee </div>			

The following information must be attached, for review by the recommending and approving officials for a student loan repayment:

- A written justification outlining the difficulty experienced or expected in filling the position if a student loan is not repaid, and
- A written determination that unusually high or unique qualifications of the employee or a special need of the agency exists.
- Or
- A written determination that the employee is likely to leave the Federal Government if the loan is not repaid, and
- A written description of the extent to which the employee's departure would affect the agency.
- In addition, the proposed amount of the loan repayment, along with the rationale for the amount proposed.

17. Recommended Amount \$

Signature of Recommending Official		Title	Date
18. Check the Appropriate Block <div style="display: flex; justify-content: space-around;"> <input type="checkbox"/> APPROVED <input type="checkbox"/> DISAPPROVED </div>		19. Approved Amount \$ _____	
Signature of Approving Official		Title	Date

Comments/Changes:

PRIVACY ACT STATEMENT

Public Law 104-134 (April 26, 1996) requires that any person doing business with the Federal Government furnish a social security number, or tax identification number. This is an amendment to Title 31, Section 7701. Furnishing the social security number, as well as other data, is voluntary, but failure to do so may delay or prevent action on the application. If your agency uses the information furnished on this form for purposes other than those indicated above, it may provide you with an additional statement reflecting those purposes.